

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mayville Area Ambulance Service	County Tuscola
Fiscal Year End 12/31/06	Opinion Date 03/01/07	Date Audit Report Submitted to State 04/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No issues this year	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street Suite Six		City Saginaw	State MI
Authorizing CPA Signature		Printed Name Heather A. Thomas	Zip 48603
		License Number 1101024719	

MAYVILLE AREA AMBULANCE SERVICE
Mayville, Michigan

Financial Statements
December 31, 2006

MAYVILLE AREA AMBULANCE SERVICE
BOARD OF DIRECTORS

Ronald Gromak	President
Glenn Fox	Vice President
Joel Welke	Recording Secretary
Sherry Bodeis	Director
Kathleen Tomlinson	Director

OFFICERS

James Welke	Executive Director
Joel Welke	Chief Financial Officer/ Resident Agent

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**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

March 8, 2007

To the Board of Directors
Mayville Area Ambulance Service
Mayville, Michigan

We have audited the accompanying financial statements of the business-type activities of the Mayville Area Ambulance Service as of and for the years ended December 31, 2006, and 2005, which comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayville Area Ambulance Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Mayville Area Ambulance Service as of December 31, 2006, and 2005, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

To the Board of Directors
Mayville Area Ambulance Service
March 8, 2007
Page Two

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Dehauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION & ANALYSIS

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

This section of the annual financial report presents management's discussion and analysis of Mayville Area Ambulance Service's (MAAS) financial results for the fiscal year ended December 31, 2006. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of MAAS.

For accounting purposes, MAAS uses only one fund. The fund is a business-type enterprise fund that applies the full accrual basis of accounting. Hence, unlike most governmental units, Mayville Area Ambulance Service reports its financial information only in the full accrual format. The audited financial activities of Mayville Area Ambulance Service are presented herein. These statements include:

Statements of Net Assets
Statements of Revenues, Expenses, and Changes in Net Assets
Statements of Cash Flows

Along with the financial statements are the footnote disclosures.

Condensed Financial Statements and Analysis and Discussion of Significant Transactions

The following are condensed government wide financial statements for fiscal years 2006 and 2005 for Mayville Area Ambulance Service.

Table One – Net Assets

	2006	2005
Assets		
Current assets	\$ 185,102	\$ 138,239
Capital assets	359,871	386,562
Total Assets	<u>\$ 544,973</u>	<u>\$ 524,801</u>
Liabilities		
Current liabilities	\$ 40,525	\$ 29,727
Noncurrent liabilities	112,577	129,332
Total Liabilities	<u>153,102</u>	<u>159,059</u>
Net Assets		
Invested in capital assets, net of related debt	230,542	241,373
Unrestricted	161,329	124,369
Total Net Assets	<u>\$ 391,871</u>	<u>\$ 365,742</u>

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Statements and Analysis and Discussion of Significant Transactions (cont.)

Between 2005 and 2006 there is a large increase in the accounts receivable balance, as well as an increase in accounts payable. This can be attributed to a delay in billing of several advance life support claims, due to missing information from the ALS agencies. Procedural changes have been made to rectify this issue going forward. We continue to monitor our expenditures closely, and expect minimal fluctuations.

Table Two – Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Revenue		
Service calls	\$ 151,783	\$ 133,392
Contract fees	13,290	13,290
Other	3,184	1,878
Total Revenues	<u>168,257</u>	<u>148,560</u>
Expenses		
Advanced life support	21,900	17,520
Ambulance	14,994	14,466
Garage and office	26,072	28,689
Attendant	45,550	45,006
Depreciation	26,025	27,860
Interest	7,587	8,433
Total Expenses	<u>142,128</u>	<u>141,974</u>
Change in Net Assets	<u>\$ 26,129</u>	<u>\$ 6,586</u>

The net asset change for 2006 was \$19,543 greater than the previous year. The majority of this increase is attributable to an increase in service call revenue.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets and Long-Term Debt

Following is a summary of capital assets and accumulated depreciation for the fiscal years 2006 and 2005:

	2006	2005
Land	\$ 26,250	\$ 26,250
Ambulance	72,300	72,300
Equipment	16,786	20,320
Furniture	4,222	4,222
Garage	-	4,000
Building	359,736	359,736
	<u>479,294</u>	<u>486,828</u>
Less: Accumulated depreciation	119,423	100,266
Total	<u>\$ 598,717</u>	<u>\$ 587,094</u>

Potential future capital assets purchases are discussed below.

The Mayville Area Ambulance Service has outstanding long-term debt of \$129,329 related to the construction of the building. Currently, management is discussing replacement of the ambulance, but it has not been determined if debt will be issued to accomplish this goal.

Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect

It is our expectation that fiscal year 2007 will be relatively similar to 2006 and 2005. Again, the Board of Directors approved minimal increases to the service call fee schedule. Those increases may provide for additional revenue, but not significantly.

We expect to see changes in our accounts payable and liability to the ALS agencies in 2007, as we are putting forth a concerted effort to streamline the handling of claims.

Although we expect that our standard operating expenses will remain stable at the current level, there is significant potential of two capital expenses in 2007. Those capital expenses will be replacement of our current ambulance and investments in our information technology systems. Both are important to keeping the organization running smoothly.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Requests for Information

This report is designed to provide our customers and taxpayers with a general overview of the Mayville Area Ambulance Service's finances. If you have questions about this report or need additional information, contact Mayville Area Ambulance Service, 5802 Lynch Drive, Mayville, Michigan 48744.

FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF NET ASSETS
DECEMBER 31, 2006, AND 2005

	2006	2005
Current Assets		
Cash	\$ 28,421	\$ 27,340
Certificates of deposit	41,183	39,841
Accounts receivable	115,306	69,113
Prepaid insurance	192	1,945
Total Current Assets	<u>185,102</u>	<u>138,239</u>
Noncurrent Assets		
Capital assets	479,294	486,828
Accumulated depreciation	<u>(119,423)</u>	<u>(100,266)</u>
Total Capital Assets	<u>359,871</u>	<u>386,562</u>
Total Assets	<u>\$ 544,973</u>	<u>\$ 524,801</u>
Liabilities		
Current Liabilities		
Accrued wages	\$ 5,537	\$ 5,592
Accounts payable	13,067	3,359
Payroll taxes payable	872	622
Deferred revenue	4,297	4,297
Noncurrent Liabilities		
Long-term debt, due in one year	16,752	15,857
Long-term debt, due in more than one year	<u>112,577</u>	<u>129,332</u>
Total Liabilities	<u>153,102</u>	<u>159,059</u>
Net Assets		
Invested in capital assets, net of related debt	230,542	241,373
Unrestricted	<u>161,329</u>	<u>124,369</u>
Total Net Assets	<u>391,871</u>	<u>365,742</u>
Total Liabilities and Net Assets	<u>\$ 544,973</u>	<u>\$ 524,801</u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Revenue		
Service calls, net of service contract adjustments of \$83,195 and \$93,991, respectively	\$ 151,783	\$ 133,392
Contract fees	13,290	13,290
Memorials and donations	410	1,392
Miscellaneous	12	16
Total Revenue	<u>165,495</u>	<u>148,090</u>
Expenses		
Advanced life support	21,900	17,520
Ambulance	7,945	7,302
Radio	553	484
Insurance	7,530	8,394
Medical supplies	6,496	6,433
Garage	5,081	5,986
Office expense	9,300	5,037
Training and licensing	1,616	2,072
Attendant expense	3,089	1,728
Wages	37,954	38,424
Payroll taxes	2,891	2,782
Miscellaneous	-	247
Bank Charges	9	44
Professional Services	4,152	9,228
Depreciation	26,025	27,860
Total Expenses	<u>134,541</u>	<u>133,541</u>
Operating income (loss)	30,954	14,549
Non-operating revenue (expense)		
Interest revenue	1,462	470
Interest expense	(7,587)	(8,433)
Gain (loss) on sale of assets	1,300	-
Total non-operating revenue (expenses)	<u>(4,825)</u>	<u>(7,963)</u>
Change in Net Assets	26,129	6,586
Net Assets, Beginning	<u>365,742</u>	<u>359,156</u>
Net Assets, Ending	<u>\$ 391,871</u>	<u>\$ 365,742</u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash flows from operating activity:		
Cash received from clients	\$ 108,090	\$ 154,326
Cash received from other governments	13,290	13,290
Cash received from public	422	1,408
Cash payments to employees	(37,849)	(38,370)
Cash payments to suppliers for goods and services	(61,511)	(85,321)
Net cash provided (used) by operating activities	<u>22,442</u>	<u>45,333</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,034)	(1,425)
Sale of capital assets	4,000	-
Principal payments	(15,860)	(15,013)
Interest payments	(7,587)	(8,433)
Net cash provided (used) by financing activities	<u>(21,481)</u>	<u>(24,871)</u>
Cash flows from investing activities:		
Interest received	1,462	469
Sale (purchase) of investments	(1,342)	4,895
Net cash provided (used) by investing activities	<u>120</u>	<u>5,364</u>
Net increase (decrease) in cash and cash equivalents	1,081	25,826
Cash and cash equivalents, beginning	27,340	1,514
Cash and cash equivalents, ending	<u>\$ 28,421</u>	<u>\$ 27,340</u>
Reconciliation of operating Income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 30,954	\$ 14,549
Adjustment:		
Deprecation	26,025	27,860
Decrease (increase) in assets:		
Accounts receivable	(46,193)	20,934
Prepaid insurance	1,752	(1,945)
Increase (decrease) in liabilities:		
Accrued wages	(54)	(305)
Accounts payable	9,708	(15,542)
Payroll taxes	250	(218)
Net cash provided (used) by operating activities	<u>\$ 22,442</u>	<u>\$ 45,333</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Operations and Fund Type

The Mayville Area Ambulance Service was organized in 1975 for the purpose of providing efficient ambulance service to the Mayville, Michigan, area with minimal response time. The service operates under the direction of a Board of Directors with one representative appointed by each of the following member governmental units:

- a. Village of Mayville
- b. Fremont Township
- c. Dayton Township
- d. Rich Township

The primary revenue source is service call charges. In addition, the Ambulance Service has entered into reduced rate agreements with each of the four above listed member governmental units.

The Mayville Area Ambulance Service is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Board members have decision making authority, have power to designate management, have responsibility to significantly influence operations and have primary accountability over financial matters. The Board applies all relevant Government Accounting Standards (GASB) pronouncements. The Mayville Area Ambulance Service applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

NOTE 2--Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Mayville Area Ambulance Service conform to U.S. generally accepted accounting principles as applicable to proprietary funds. The accrual basis of accounting is followed; thus revenues are recorded when earned and expenses are recognized when the related liability is incurred. MAAS considers operating revenues and expenses as those that results from providing services and delivering services.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivables are recognized when the services have been provided. The balance shown is due from services billed, but not collected as of December 31, 2006 and 2005.

Prepaid Insurance

Prepaid insurance consists of expenditures made for insurance coverage for the next fiscal year.

Capital Assets and Depreciation

Capital Assets are recorded at cost. Provisions for depreciation are computed on the straight-line method at rates designed to amortize the cost of the assets based on their estimated useful lives.

Ambulance	5 years
Equipment and furniture	3-5 years
Building and garage	40 years

A summary of the changes in capital assets is as follows:

Description	Balance 12/31/2005	Additions	Disposals	Balance 12/31/2006
Capital assets not subject to depreciation				
Land	\$ 26,250	\$ -	\$ -	\$ 26,250
Subtotal	26,250	-	-	26,250
Capital assets subject to depreciation				
Ambulance	72,300	-	-	72,300
Equipment	20,320	2,034	(5,568)	16,786
Furniture	4,222	-	-	4,222
Garage	4,000	-	(4,000)	-
Building	359,736	-	-	359,736
Total capital assets	486,828	2,034	(9,568)	479,294
Less: Accumulated depreciation	100,266	26,025	(6,868)	119,423
Total	\$ 386,562	\$ (23,991)	\$ (2,700)	\$ 359,871

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statement of cash flows, the Mayville Area Ambulance considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Non-current Debt

Non-current debt consists of a mortgage on the Ambulance building.

Contract Service Adjustments and Bad Debts

It is the policy of the Mayville Area Ambulance to recognize service call revenue net of service contract adjustments based upon actual collections.

Accounts Payable

The balance of accounts payable is due to vendors at year-end.

Deferred Revenue

The balance shown is from amounts paid for service contracts in advance from participating governmental units.

NOTE 3--Cash

The Mayville Area Ambulance is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Ambulance service is legally authorized to deposit and invest in the following:

1. In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
2. In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the FDIC, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the purchase date.
4. In United States government or federal agency obligation repurchase agreements.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 3—Cash (continued)

5. In banker's acceptance of United States banks.
6. In obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

A summary of cash and investments follow:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Checking	\$ 10,114	\$ -	\$ -	\$ 10,114	\$ 9,668
Savings	18,753	-	-	18,753	18,753
Certificates of deposit	41,183	-	-	41,183	41,183
Totals	<u>\$ 70,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,050</u>	<u>\$ 69,604</u>

The Mayville Area Service deposits are categorized below according to level of credit risk:

- Category 1 represents the Organizations insured or collateralized deposits with securities held by the Organizations or by its agent in the commission's name.
- Category 2 represents the Organizations collateralized deposits with securities held by the pledging financial institution's trust department or agent in Organization's name.
- Category 3 represents the Organization's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Organization's name.

NOTE 4—Income Tax

The Internal Revenue Service has determined that the Mayville Area Ambulance Service is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Risk Management

The Mayville Area Ambulance Service is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Mayville Area Ambulance Service carried commercial insurance for the above listed risks of loss. In addition, MAAS participated in the Michigan Association of Ambulance Services Self Insured Workers' Compensation Fund, a public entity risk pool currently operating as a workers' compensation risk management program for 28 ambulance services in the State of Michigan. The Mayville Area Ambulance Service pays a monthly premium to the pool for its coverage. The pool is self-sustaining through member premiums.

NOTE 6--Long-Term Debt

Long-term obligations are as follows:

Mortgage, 5.5% per annum

with 59 monthly payments of \$ 1,956 including
interest, secured by land and building. A final
payment of \$104,243 is due June 30, 2008

\$ 129,329

	Balance 12/31/05	Additions	Retirements	Balance 12/31/06	Current Portion
Mortgage	<u>\$ 145,189</u>	<u>\$ -</u>	<u>\$ 15,860</u>	<u>\$ 129,329</u>	<u>\$ 16,752</u>

The annual requirements for principal and interest are as follows:

Year Ended December 30,	Principal	Interest	Total
2007	<u>\$ 16,752</u>	<u>\$ 6,696</u>	<u>\$ 23,448</u>
2008	<u>112,577</u>	<u>18,443</u>	<u>131,020</u>
	<u>\$ 129,329</u>	<u>\$ 25,139</u>	<u>\$ 154,468</u>